

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

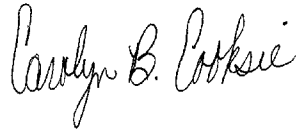
Notice FLP-205

1941-A

For: State and County Offices

Debt Forgiveness and Eligibility for Direct Operating Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (1999 Appropriations Act), that became law on October 21, 1998, modified the prohibitions on loans to borrowers that received debt forgiveness.

B

Purpose

This notice provides guidance on the debt forgiveness limitation on eligibility for direct operating loans.

Notes: For guaranteed loan applicants, see 2-FLP, paragraph 108.

For emergency loan applicants, see Notice FLP-174.

The 1999 Appropriations Act does not impact debt forgiveness limitations for direct farm ownership applicants established in sections 1943.12(a) (10) and (b) (10) of FmHA Instruction 1943-A.

C

Contact

State Offices shall refer questions about this notice to Mike Hinton, LMD, at 202-720-1472.

Disposal Date

July 1, 2002

Distribution

State Offices; State Offices relay to County Offices

2 Action

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Borrowers Receiving Loans After a Debt Forgiveness

Sections 1941.12(a) (10) and (b) (11) of FmHA Instruction 1941-A only address eligibility criteria restrictions for applicants who have received debt forgiveness based on the provisions of the Federal Agriculture Improvement Act of 1996.

Under the provisions of the 1999 Appropriations Act borrowers who are current on all payments under a confirmed bankruptcy reorganization plan may be eligible to receive annual operating loans.

Note: In cases under Chapter 11 of the Bankruptcy Code, the debt is technically discharged when the plan is confirmed. In Chapter 12 and 13 cases, the discharge occurs in 3 to 5 years when payments under the plan have been completed. Debt forgiveness occurs when a borrower has completed all payments according to the plan and the unsecured FLP claim is written off. At that point, the borrower will **not** be eligible for additional loans.
